Hike in rate of interest on home loans

*551. SHRI RAJKUMAR DHOOT: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that public and private sector banks have hiked rate of interest on home loans whereas rate of interest on term small saving has declined;

(b) if so, the details thereof and the reasons therefor;

(c) what is the criteria for fixing the rate of interest for saving deposits, borrowings and lendings for banks and post offices; and

(d) whether the rate of inflation is considered while fixing the rate of interest?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) and (b) Some commercial banks have recently increased their rates of interest on home loans. The rate of interest on small savings schemes such as Post Office Savings Account, Post Office Recurring Deposits (five years), Post Office Time Deposits, National Saving Certificate, Kisan Vikas Patra, Senior Citizens Savings Scheme (5 years), Government of India (Taxable) Savings Bond (6 years) and Public Provident Fund Scheme (15 years) remained unchanged since 01.03.2003. As regards Savings deposits in Commercial Banks, the rate of interest has remained unchanged since August 2003. As per Annual Policy Statement 2006-07 of Reserve Bank of India (RBI), the interest rates on deposits of over one year maturity of Public Sector Banks (PSBs) moved up from 5.25-6.50 per cent in April 2005 to 5.75-7.25 per cent in March 2006.

(c) and (d) Since October 1997, RBI has given freedom to Commercial Banks to fix their own interest rates on domestic term deposits of various maturities with prior approval of their respective Board of Directors/Asset Liability Management Committee. However, interest rates on Savings deposits (Saving Bank Accounts) are regulated by the RBI.

RBI has deregulated interest rates on loans given by the banks *vide* its circular dated 17th October, 1994. Banks are free to determine the rate of interest. However, RBI has stipulated that interest rates on loans by Commercial Banks up to Rs. 2 Lacs should not exceed the Benchmark Prime Lending Rate.

Interest rates are market driven and before bringing any change, the following facts are generally kept in view by Banks:—

(a) General credit off-take in the banks

(b) Bank's experience in managing loans

(c) Bank's liquidity position

(d) RBI Policy

(e) Prevailing interest rates within the banking system

(f) Prevailing rate of inflation

(g) Cost of funds.

Revision in oil prices

*552. SHRIMATI S. G. INDIRA:
SHRI S. ANBALAGAN:

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that the international crude oil price has reached 75 US Dollar a barrel recently;

(b) if so, the details thereof;

(c) whether Government are considering to revise or increase the oil prices in view of this development; and

(d) if so, the details thereof?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MURLI DEORA): (a) and (b) Global prices of crude oil and petroleum products have been making new highs in the past two years. The international prices continue to spiral upwards unabated with Indian basket of crude oil having touched an all-time high of $71.13 per bbl on 2nd May 2006. This steep increase in prices is having a major impact on the Oil Marketing Compaines (OMCs) and the Indian economy, as we import about 76 percent of our crude oil requirement. The trend of increase in the international crude oil prices is tabulated below: